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March 22, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
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From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE - REDEVELOPMENT DISSOLUTION AND ECONOMIC DEVELOPMENT LEGISLATION OF COUNTY INTEREST

Executive Summary

This memorandum is to provide the Board a report on redevelopment dissolution and economic development bills of interest to the County. This report provides an update on several bills which would modify or eliminate certain requirements of the existing redevelopment dissolution legislation and contains an overview of bills which would create new economic development tools or that would clarify or modify existing law to provide local governments authority to engage in economic development activities.

Redevelopment Dissolution

ABX1 26 (Chapter 5, Statutes of 2011) eliminated redevelopment agencies (RDAs) in February 2012, and provided for the designation of successor agencies to wind down the affairs of the dissolved redevelopment agencies. AB 1484 (Chapter 26, Statutes of 2012), the redevelopment trailer bill, created a process to transfer housing assets, identify funds that should be remitted to local taxing entities, facilitate repayment of certain loans between a redevelopment agency and its sponsoring community, use unencumbered bond proceeds issued prior to 2011, and develop a long-range property management plan for the disposition of RDA assets.

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As the redevelopment wind-down process has moved forward, local governments have encountered issues related to the implementation procedures outlined in the dissolution bills. Other local governments have identified unanticipated financial difficulties that have resulted from dissolution or from assuming the functions previously performed by redevelopment agencies. The following bills would, if enacted, modify or eliminate certain requirements of AB1x 26 and AB 1484 to address these issues.

AB 427 (Mullin), as introduced on February 15, 2013, would specify that a successor agency or housing successor agency may implement hazardous cleanup pursuant to the Polanco Redevelopment Act (AB 3193, Chapter 1113, Statutes of 1990) with regard to enforceable obligations. This bill has been referred to the Assembly Housing and Community Development Committee.

AB 564 (Mullin), as amended on March 12, 2013, would prohibit the Department of Finance (DOF) from taking any future action to modify or reverse a successor agency's oversight board decision regarding an enforceable obligation after the effective date of the oversight board's approval. The measure would also prohibit DOF from taking any future action to modify a transfer, the liquidation of properties of a former redevelopment agency, or the use of those proceeds from disposition by the successor agency if that action is consistent with an approved long-range asset management plan. This bill would ensure that once an oversight board's decision is deemed effective or when a successor agency is acting in accordance to a DOF approved long-range asset management plan, all public and private entities may rely on those decisions being final and not subject to reversal by DOF at a future date. AB 564 is sponsored by the California League of Cities and has been referred to the Assembly Local Government Committee.

AB 981 (Bloom), as introduced on February 22, 2013, would authorize successor housing agencies to designate the use of, and commit, indebtedness obligation proceeds that were issued for affordable housing purposes prior to June 28, 2011. The measure would also allow redevelopment successor agencies to expend excess bond proceeds derived from bonds issued on or before June 28, 2011 in a manner consistent with the original bond covenants. The dissolution legislation (AB1x 26) disallowed the use of the proceeds from these sales; however, the redevelopment trailer bill (AB 1484) provided a successor agency the ability to spend proceeds from bonds issued prior to January 1, 2011 upon its receipt of a finding of completion from DOF, and authorized a housing successor agency to spend proceeds from bonds issued for affordable housing purposes and backed by the Low and Moderate Income Housing Fund prior to January 1, 2011. This bill would extend those dates to June 28, 2011. AB 981 has been referred to the Assembly Local Government Committee and the Housing and Community Development Committee.

AB 1320 (Bloom), as introduced on February 22, 2013, would eliminate the requirement that a redevelopment successor agency dispose of all remaining assets and terminate its existence within one year of its final debt payment. The bill would additionally eliminate the requirement that pass-through payment obligations cease at that time and the prohibition on the allocation of property tax revenue to the Redevelopment Property Tax Trust Fund following the termination of the successor agency.

County Counsel reports that AB 1320 would allow affected taxing entities to continue to receive pass-through payments for the life of the project area, rather than until all of the successor agency's debts have been paid off. This office is working with the Auditor-Controller to evaluate the County's pass-through agreements to determine if they would fall under the provisions of AB 1320. This measure has been referred to the Assembly Housing and Community Development Committee.

SB 341 (DeSaulnier), as introduced on February 20, 2013, affirms that funds in the Low and Moderate Income Housing Asset Fund shall be subject to the Community Redevelopment Law (CRL) and alters the CRL to: 1) allow housing successor agencies to expend available funds for the purpose of monitoring and preserving the long-term affordability of units in its portfolio and for administration costs up to an annual cap of 2 percent of its portfolio values or \$100,000 (whichever is greater); 2) allow housing successor agencies to spend up to \$250,000 per year for homeless prevention and rapid re-housing services for individuals or families who are or at risk of becoming homeless; 3) relax the limitations on senior housing; 4) allow housing successor agencies to transfer funds among themselves for the purpose of developing affordable units under certain conditions; and 5) clarify and streamline reporting requirements, among other provisions. The author's office reports that SB 341 is intended to streamline administrative requirements while ensuring accountability, providing flexibility, and targeting scarce available resources to the greatest housing-related needs in communities. SB 341 has been referred to the Senate Transportation and Housing Committee.

Economic Development

Existing law provides for various economic development programs that foster community sustainability and community and economic development initiatives throughout the State. However, the dissolution of redevelopment agencies in 2012 eliminated the primary tool that local governments used to finance new construction, rehabilitate existing buildings, increase the supply of affordable housing, finance infrastructure investments, and create jobs. The continuing effects of the recession also

left many cities and counties without the resources needed to undertake economic development activities in a strategic manner.

In 2012, the Legislature introduced a series of bills that would have enacted new or alternative tools to promote local economic development. While some bills passed the Legislature and were supported by a coalition of economic development, affordable housing, and environmental advocates, the Governor vetoed the bills stating that creating new or expanding existing economic development programs was premature and could divert property tax revenues being returned to the State and local taxing entities from the ongoing redevelopment dissolution process. The Governor also noted in his veto messages that once the dissolution process was complete, he would consider new economic development measures.

The following bills would, if enacted, create new economic development tools or that would clarify or modify existing law to provide local governments authority to engage in economic development activities.

AB 562 (Williams), as introduced on February 20, 2013, would require any local agency with responsibility for economic development activities to provide specified information to the public before approving any economic development subsidy. Information that would be required to be available includes: an estimate of the total expenditure of public funds for the project or an estimate of revenue lost to the local agency; a statement of the subsidy's public purpose; projected tax revenue to the local agency as a result of the subsidy; the estimated number of jobs to be created by the subsidy; and biannual reports. AB 562 is sponsored by the American Federation of State, County and Municipal Employees, AFL-CIO. There is no registered opposition to the bill on file. AB 562 has been referred to the Assembly Local Government Committee.

AB 750 (Garcia), as introduced on February 21, 2013, would authorize a city to dispose of real property or provide compensation to a private entity, if the legislative body of the city is presented with, or presents, substantial evidence that the disposition of the property or provision of compensation would stimulate job creation and economic development within the boundaries of the city. This bill would further provide that the disposition of real property or the provision of compensation under these circumstances would not constitute a gift of public funds. AB 750 has been referred to the Assembly Local Government Committee.

AB 1080 (Alejo), as introduced on February 22, 2013, would authorize cities and counties, either separately or in cooperation with each other and/or special districts, to form a Community Revitalization Investment Authority (CRIA) to carry out the

Community Redevelopment Law (CRL) and invest property tax increment and bond proceeds to relieve unemployment, reduce high crime rates, repair deteriorating and inadequate infrastructure, clean up brownfields, and promote affordable housing.

As previously reported, AB 1080 includes a provision that allows for the receipt of tax increment funds by the CRIA, provided that the governing body of the taxing entity has adopted a resolution authorizing the allocation of tax increment funds to the CRIA. Consistent with the CRL, AB 1080 would also require that 20 percent of the CRIA's funds be set aside for the development of affordable housing. AB 1080 has been referred to the Assembly Housing and Community Development Committee.

SB 1 (Steinberg), as introduced on December 3, 2012, would authorize a city, a county, or a city and county to form a Sustainable Communities Investment Authority to carry out the Community Redevelopment Law. The bill would also require the Authority to adopt a Sustainable Communities Investment Plan and would authorize the plan to include a provision for the receipt of tax increment funds, provided the governing body of the taxing entity has adopted a resolution authorizing the allocation of its tax increment funds to the Authority.

As previously reported, SB 1 is a re-introduction of SB 1156 (Steinberg) of 2012, which was vetoed by the Governor. SB 1 passed the Senate Committee on Governance and Finance on March 13, 2013 and now proceeds to the Senate Transportation and Housing Committee. The author committed to take various amendments related to bill's housing related provisions when it is heard in that committee.

SB 470 (Wright), as introduced on February 21, 2013, would provide that before any property acquired by a city or county for economic opportunity purposes is sold or leased for development, the sale or lease shall first be approved by the legislative body. The bill would also authorize a city, county, or city and county to establish a program to loan funds to owners or tenants for the purpose of rehabilitating commercial buildings or structures and to assist with the financing of facilities or capital equipment for the development or rehabilitation of property to be used for industrial or manufacturing purposes. The bill also includes language for voluntary tax sharing agreements between local jurisdictions to jointly finance an economic development opportunity project. SB 470 is sponsored by the City of Long Beach. SB 470 is scheduled for a hearing in the Senate Governance and Finance Committee on April 3, 2013.

SB 673 (DeSaulnier), as introduced on February 22, 2013, would require a city, county, or city and county to ensure a cost benefit analysis be prepared, paid for by the project applicant, prior to approving or disapproving a proposed development project estimated to receive over \$1.0 million in subsidies. The cost benefit analysis would include an

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assessment of the effect that the construction and operation of the proposed development will have on the ability of the city, county, or city and county to implement the goals contained in its general plan. SB 673 is scheduled for a hearing in the Senate Governance and Finance Committee on April 3, 2013.

This office will continue to work with County Counsel, the Auditor-Controller, and the Community Development Commission to review the provisions of these bills and determine their potential impact on the County.

We will continue to keep you advised.

WTF:RA
MR:AO:ma

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants